

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 FEA-01 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05

SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 /095 W

-----011792 301902Z /46

R 301529Z JUN 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9493

INFO AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY LUXEMBOURG

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL DUSSELDORF

C O N F I D E N T I A L SECTION 01 OF 02 BONN 10941

USEEC ALSO FOR EMBASSY

USOECD ALSO FOR EMBASSY

E.O. 11652: GDS

TAGS: ETRD, EIND, EEC, GW

SUBJ: STEEL: FRG VIEWS

REF: (A) BONN 10420, (B) BONN 7405,

(C) BRUSSELS 7072, (D) BRUSSELS 7080

1. FRG ECONMIN OFFICE DIRECTOR FOR STEEL, OLLIG,
REVIEWED WITH EMBOFF SEVERAL ASPECTS OF THE CONTINUING
PROBLEMS IN THE STEEL SECTOR.

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2. OLLIG CLAIMED THAT, DURING THE JUNE 16-17 FRANCO-
GERMAN SUMMIT, FRENCH MINISTER ROSSI ACTIVELY SOUGHT
GERMAN SUPPORT FOR GENERALIZED IMPORT RESTRICTIONS
AGAINST STEEL AS A MEASURE TO HELP SOLVE THE EC STEEL
CRISIS. IN SUPPORT OF HIS APPEAL ROSSI EXPLAINED THE
DIFFICULT INTERNAL POLITICAL PROBLEMS THE FRENCH FACED
AS A RESULT OF HIGH UNEMPLOYMENT. THE GERMAN RESPONSE,

HOWEVER, WAS NEGATIVE. OLLIG CLAIMED STEEL WAS THE KEY SPECIFIC FRENCH PROPOSAL DURING THESE FRANCO-GERMAN DISCUSSIONS ON TRADE (REF A).

3. EC COMMISSION REPS HAVE BEEN PUSHING THE FRG TO COME UP WITH A "STEEL PLAN" SINCE THE OTHER EC STEEL PRODUCERS ARE EITHER WORKING ON OR ALREADY HAVE SUCH PLANS. THE COMMISSION WANTS TO INCILUDE THE FRG IN THE EC "RESTRUCTURING PLAN FOR THE STEEL INDUSTRY" WHICH IS DAVIGNON'S FOLLOW-ON TO THE MINIMUM REFERENCE PRICE SYSTEM. FRG RESPONDED THAT IT DID NOT INTEND TO DESIGN A "PLAN" FOR THE STEEL INDUSTRY. THE RELATIVELY SEVERE PROBLEMS IN THE SAAR WILL BE INDIRECTLY ADDRESSED THROUGH THE ALREADY WELL-ESTABLISHED REGIONAL PROGRAM OF GENERAL INVESTMENT INCENTIVES AND THROUGH PUBLIC WORKS PROJECTS WHICH WIIL BOTH CREATE SOME ADDITIONAL EMPLOYMENT IN THE SAAR. OLLIG, HOWEVER, STATED THAT THE FRG BASICALLY WELCOMES COMMISSION EFFORTS TO COORDINATE THE ASSISTANCE PROGRAMS OF THE OTHER MEMBER STATES SINCE THE COMMISSION MAY BE SUCCESSFUI IN DAMPENING DESTRUCTIVE SUBSIDY COMPETITION. OLLIG IS NOT OPTIMISTIC ABOUT THE PROSPECTS FOR COMMISSION SUCCESS HOWEVER. REGARDING EC MINIMUM REFERENCE PRICES, OLLIG CLAIMED THAT THEY HAVE HAD NO EFFECT ON THE MARKET YET SINCE THE REFERENCES ARE WELL BELOW CURRENT MARKET PRICES.

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4. DOMESTIC PRESSURES IN THE FRG ARE INCREASING FOR SUBSIDIES TO THE STEEL INDUSTRY. SOME PRODUCERS AND GERMAN IRON AND STEEL INSTITUTE SPOKESMEN HAVE

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 10941

SUGGESTED THAT VARIOUS "ACCEPTABLE SUBSIDIES" COULD BE GIVEN. AT A RECENT KRUPP GENERAL STOCKHOLDERS' MEETING, FOR EXAMPLE, A PROPOSAL TO HAVE THE GOVERNMENT PAY THE SEPARATION ALLOWANCES OF LAID-OFF WORKERS WON GENERAL SUPPORT. OLLIG BELIEVES THAT PRESENT PRESSURES SUCH AS THESE CAN EASIIY BE RESISTED BY THE GOVERNMENT, BUT WHEN THE VARIOUS "PLANS" OF OTHER EC GOVERNMENTS ARE IMPIEMENTED, SUBSIDY DEMANDS IN THE FRG WILL ESCALATE DRAMATICALLY.

5. REGARDING THE OECD AD HOC STEEL GROUP OLLIG STATED THAT THE FRG CAN APPROVE THE PRESENT SECRETARIAT PAPER, BUT DEFINITELY WANTS TO ACHIEVE A CLEAR UNDERSTANDING
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AS TO WHICH STEEL PROBLEMS WIIL BE ADDRESSED BY THE GROUP BEFORE DISCUSSIONS ARE BEGUN. THE FRG CAN BE FORTHCOMING ON INCREASED INFORMATION FLOWS, DISCUSSIONS OF INVESTMENT AND CAPACITY, AND, OF COURSE, THE SUBSIDY PROBLEM. BUT TRADE IS A VERY SENSITIVE SUBJECT WHICH SHOULD NOT BE ADDRESSED BY SUCH A BROAD GROUP. THE FRG ABOVE ALL WANTS TO AVOID DISCUSSION OF A WORLD TRADING ORDER FOR STEEL. TRADE DISCUSSIONS SHOULD BE RESERVED FOR BILATERAL AND TRILATERAL TALKS BETWEEN THE EC, US, AND JAPAN.
STOESSEL

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